

Social Services, Trade, and Native American Programs Have Sustained Budget Cuts

Some important programs involving social services, trade, and Native American assistance have sustained budget cuts in fiscal year 1996, disproportionately affecting those rural States and communities that have particular needs for these programs.

In this section, we cover three groups of programs that play substantially different roles: social services, trade and export promotion, and Native American assistance. Each group contains programs that have sustained significant budget cuts in fiscal year 1996. (Unless otherwise indicated, references to years in this article are fiscal years.)

Social Services help individuals and families overcome problems, such as drug abuse, aging disabilities, and lack of child or foster care, that limit participation in the local community and economy. Most social service programs fund State and local governments and/or nonprofit groups that provide assistance to families and individuals. Many programs fall into this category. Among these, with their 1995 appropriations, are five large programs administered by the Department of Health and Human Services (HHS): Community Services Block Grants, \$389 million; Social Services Block Grants, \$2.8 billion; Child Care Development Block Grants, \$935 million; Foster Care and Adoption, \$3.6 billion; and Aging Services, \$877 million.

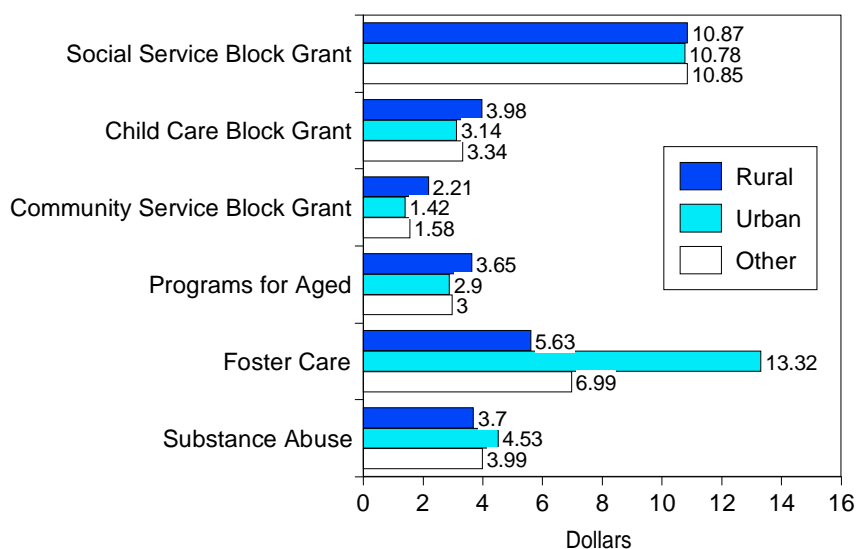
Recent funding trends for these programs are mixed, as HHS operated under continuing resolutions through most of 1996. Funding for Child Care Development Block Grants remained constant from 1995 to 1996. This program slightly favors rural States over urban States (fig. 1). Funding for the Community Service Block Grants, Social Service Block Grants, and the aging programs, which also tend to favor rural States, has declined. Funding for foster care, which tends to favor urban States, has increased, while funding for the Substance Abuse Program, which also favors urban States, has declined. [Rick Reeder, 219-0551, reeder@econ.ag.gov]

Trade and Export Promotion Programs are increasingly important as rural economies become more dependent on the global economy. USDA has several programs promoting exports of agricultural commodities, including the Export Credit Guarantee Programs, the Market Access Program (MAP), and the Export Enhancement Program (EEP). USDA's P.L. 480 (title I) concessional program also has the effect of increasing U.S. agricultural exports. The U.S. Department of Commerce's International Trade Administration (ITA)

Figure 1

Social service program funding, per capita, fiscal year 1994

Foster care particularly favors urban States



Source: Calculated by ERS Bureau of the Census, Consolidated Federal Funds Reports data.

programs include trade development, foreign trade zones, and special projects. The Agency for International Development (AID) programs can also be viewed as adding to U.S. exports to AID-assisted developing countries.

Under USDA's largest export subsidy programs, the Commodity Credit Corporation (CCC) Export Credit Guarantees (GSM-102 and GSM-103), U.S. exporters registered sales valued at \$2.9 billion in 1995. These two programs plus two new programs are authorized to provide \$5.7 billion in assistance in 1996. The rural counties relying heavily on agricultural exports, such as wheat-growing areas in the Northern Great Plains, corn and soybean areas in the Midwest, and cotton and rice areas in Texas and the Mississippi Delta, benefit most from these programs. These programs provide export credits to developing and middle-income countries with exchange constraints that would otherwise prevent the purchase of U.S. agricultural commodities without commercial credit being made available.

Funding for some other USDA trade programs is expected to decline in 1996. For example, the MAP promotes high-value products, such as fruits and vegetables, meats, dairy and processed foods. MAP regulations require that small businesses and cooperatives be given priority assistance. The 1996 farm legislation authorized MAP funding at \$90 million per year from 1996 through 2002, an 18-percent reduction from 1995. The EEP employs price subsidies to ensure the competitiveness of U.S. exports. Funding for this program was expected to increase from 1995 to 1996. While the 1996 farm legislation reduces EEP price subsidies in 1997, the law authorizes increases from 1998-2000, followed by modest reductions through 2002.

Funding for USDA's concessional P. L. 480 (title I) program, which provides food assistance to developing countries, declined by about 8 percent from 1995 to 1996. Besides helping the affected countries, this assistance also stimulates U.S. exports of wheat, cotton, oils, rice, and feed grains.

The budget for Commerce's ITA programs has remained at about \$265 million. Among the more important programs for rural areas has been the Consortia of American Businesses in the Newly Independent States (CABNIS), which works with food processing industries, dairy operations, and agribusinesses to increase U.S. exports, especially meat exports, to Eastern Europe. This program, however, has not issued any new awards since September 1994. Commerce's Office of Travel and Tourism was shut down in mid-1996, and this could decrease the visibility of rural areas to foreign tourists. The private sector Rural Tourism Foundation, begun in 1992, is expected to take over this tourism promotion responsibility, with the help of a computer network at the University of Colorado.

AID's development assistance programs help to modernize industries, develop markets, and provide food aid to underdeveloped countries. These programs were cut significantly by the 1995 rescissions; AID's New Independent States programs were cut less. Agency restructuring and the proposed absorption of AID into the U.S. Department of State make it difficult to predict the future of these programs. *[Rick Reeder and Amy Cox, 202-219-0551, e-mail rreeder@econ.ag.gov]*

Native American Programs provide most of the Federal assistance that Indian reservations receive. The majority of Native American program funding comes from the Bureau of Indian Affairs (BIA) and the Indian Health Service (IHS), which collectively account for \$3.8 billion in assistance for Native Americans in 1996. Other agencies provide significant funding to Native Americans, including the U.S. Department of Education's \$52-million Indian Education Program and the U.S. Department of Housing and Urban Development's (HUD) \$160-million Indian Housing Development Program. Many of these programs have undergone significant funding cuts in 1996.

The BIA budget was cut 9 percent from its 1995 budget of \$1.7 billion. Affected activities may include education, law enforcement, housing for the elderly, adult vocational training, natural resource protection, land management, reservation road maintenance, and various administrative support activities. The effect on Native Americans will vary among tribes, because tribes have considerable freedom in deciding how to use BIA funds. In

addition, funding for BIA construction projects is down 25 percent from \$130 million in 1995. This cut directly affects construction, repair, and improvement of various major tribal projects, including schools, irrigation, and power systems. General assistance payments and foster-care for Native Americans, as well as tribal organization contracts, will not, however, be affected by the decrease in funding for BIA, since appropriations for these activities have already been signed into law under separate legislation (P.L. 104-91 and P.L. 104-92).

Pending legislation would reorganize the BIA, but the specific details have not yet been finalized. The purpose is to make the Agency more responsive to the needs of tribal governments. This has widespread support, both in Congress and among tribal leaders.

IHS provides medical care to the 1.4 million Native Americans who are members of federally recognized tribes. Its \$2.2-billion budget is virtually unchanged from 1995. However, funding for construction, repair, maintenance, and improvement of tribal Indian health facilities declined by about 5 percent from \$253 million in 1995.

The Indian Education Program was cut significantly to only 65 percent of its 1995 budget of \$81 million. This is an important source of funding for elementary and secondary schooling for Native Americans. Nonmetro schools serving Indian populations will likely be negatively affected. HUD's Indian Housing Development program was also cut significantly, down 20 percent from \$200 million in 1995. [*Dennis Brown, 202-219-0329, dennisb@econ.ag.gov*]